

**RURAL WATER DISTRICT NO. 2,
DOUGLAS COUNTY**
Lawrence, Kansas

REGULATORY BASIS FINANCIAL STATEMENTS
For the year ended December 31, 2014

And

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

...*KL*...

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RURAL WATER DISTRICT NO. 2, DOUGLAS COUNTY
Lawrence, Kansas

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Board of Directors
Rural Water District No. 2, Douglas County
Lawrence, Kansas 66046

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Rural Water District No. 2, Douglas County ("Municipality") as of and for the year ended December 31, 2014, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 1 to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by Rural Water District No. 2, Douglas County to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Rural Water District No. 2, Douglas County as of December 31, 2014, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of Rural Water District No. 2, Douglas County (“Municipality”) as of December 31, 2014, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinion on the 2014 fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget and individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the 2014 basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information and all other Schedules are the responsibility of management and was derived from and relates directly to the

underlying accounting and other records used to prepare the 2014 basic financial statement. The 2014 information has been subjected to the auditing procedures applied in the audit of the 2014 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2014 basic financial statement or to the 2014 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2014 basic financial statement as a whole, on the basis of accounting described in Note 1.

A handwritten signature in cursive script that reads "Karlin & Long, LLC".

Karlin & Long, LLC
Certified Public Accountants
Lenexa, KS

March 18, 2015

DOUGLAS COUNTY RURAL WATER DISTRICT NO.2
SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
For the year ended December 31, 2014

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add	
						Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Proprietary Type Funds							
Water Utility	\$ 489,788	\$	\$ 391,502	\$ 401,826	\$ 479,464	\$ -	\$ 479,464
Total Reporting Entity	\$ 489,788	\$ 0	\$ 391,502	\$ 401,826	\$ 479,464	\$ 0	\$ 479,464
Composition of Cash							
					Checking Accounts		\$ 280,097
					Savings Accounts		
					Petty Cash		
					Certificates of Deposit		199,367
					Total Reporting Entity		\$ 479,464

The notes to the financial statements are an integral part of this statement.

RURAL WATER DISTRICT NO.2, DOUGLAS COUNTY
Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies

Financial Reporting Entity

Rural Water District No. 2, Douglas County (the District) is a water utility that provides service for domestic, agricultural, and other purposes to rural customers. The district was organized under Kansas law as a quasi-municipal corporation. The District is accounted for as an enterprise fund using the cash basis and budget laws of the State of Kansas. The District's purpose is to acquire water and water rights, to build and acquire pipelines and other facilities, and to operate the same for the purpose of furnishing water to owners and occupants of land located within the District.

Regulatory Basis Fund Types

Business Funds – funds financed in whole or in part by fees charged to users of the goods or services (i.e. water fund, etc.)

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

The *Kansas Municipal Audit and Accounting Guide* (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt. Accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The district has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the district to use the regulatory basis of accounting.

Use of Estimates

The preparation of financial statements in compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

RURAL WATER DISTRICT NO.2, DOUGLAS COUNTY

Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For the purposes of the summary of cash balances, cash and cash equivalent are defined as demand deposits and certificates of deposit at banks with maturities of three months or less.

Property and Equipment

Property and equipment are recorded at cost. Improvements and betterments to existing property and equipment are capitalized. Expenditures for maintenance and repair which do not extend the life of the applicable assets are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Depreciation expense totaled \$ 97,230 for the year ended December 31, 2014.

Loan Costs

Loan costs are costs in connection with obtaining a loan from the Kansas Public Water Supply Loan Fund. These costs include the loan origination fee and the financial integrity assurance contract fee. The costs are being amortized over the life of the loan using a straight-line method.

Benefit Units

Benefit units are rights that entitle the holder to water service. Benefit units are presently sold for \$ 6,500 and are added directly to equity rather than recognizing these sums as revenues.

Income Taxes

The District is considered a tax-exempt entity and is not subject to income taxes at either the federal or state level. The Organization's payroll tax returns for the years ending 2014, 2013, and 2012 are subject to examination by the IRS, generally for three years after they were filed.

In a 1992 published Internal Revenue Service opinion, it was determined that Kansas rural water districts do not qualify as political subdivisions for the purposes of the exemption from payment of FUTA. No claim has been asserted against the District for this tax, nor is the amount of any such claim determinable at this time. Kansas law has been changed, effective March 20, 1992, the result of which causes rural water districts to again qualify as a political subdivision for the purpose of the exemption for payment of FUTA. We are unable to determine at this time whether or not a claim

RURAL WATER DISTRICT NO.2, DOUGLAS COUNTY

Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

will ultimately be asserted against the District, the likelihood that it would ultimately be held liable for that claim, or the ultimate amount of that claim, if assessed. Consequently, no additional liabilities relating to a possible claim have been recognized.

NOTE 2 – Stewardship, Compliance and Accountability

We noted no violations of Kansas Statutes for the period under audit. The amount of expenditures for the water district can exceed the budgeted amount since the board approves all expenses and the district is not subject to the budgetary requirements of K.S.A. 79-2925.

NOTE 3 – Deposits and Investments

Deposits

K.S.A. 9-1401 establishes the depositories which may be used by the district. The statute requires banks eligible to hold the district's funds have a main or branch bank in the county in which the district is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The district has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the district's investments of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The district has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the district may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405.

RURAL WATER DISTRICT NO.2, DOUGLAS COUNTY
Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – Deposits and Investments (continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the district's deposits may not be returned to it. State statutes require the district's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at December 31, 2014.

At December 31, 2014, the District's carrying amount of deposits, including certificates of deposit, was \$ 479,464 and the bank balance was \$ 474,296 of which \$449,367 was covered by FDIC insurance.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

NOTE 4 – Water Contracts

The District entered into a water supply contract with the State of Kansas, represented by the Kansas Water Resources Board, which allows the District to withdraw a predetermined amount of water from Clinton Reservoir each year. The Kansas Water Resources Board has the right to review the contract and determine a new rate every year. A minimum of 42.5 million gallons of water must be paid for each year at the established price. Water is also purchased from the City of Lawrence.

NOTE 5 – Claims and Judgments

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employee; and natural disasters. The District has purchased commercial insurance for these potential risks. There have been no significant reductions in insurance coverage from 2013 to 2014 and there were no settlements that exceeded insurance coverage in the past three years.

RURAL WATER DISTRICT NO.2, DOUGLAS COUNTY
Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – Claims and Judgments (continued)

During the ordinary course of its operations the District is a party to various claims, legal actions and complaints. It is the opinion of the District's management and legal counsel that these matters are not anticipated to have a material financial impact on the District.

NOTE 6 – Other Long Term Obligations from Operations

Other Post Employment Benefits

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.

NOTE 7 – Concentration of Suppliers

The District acquires 100% of its water supply from the State of Kansas. The City of Lawrence processes and transports water to Rural Water District #2. There are no other suppliers of water available for the District.

NOTE 8 – Compliance With Other Finance-Related Legal and Contractual Provisions

The District is required to maintain a loan reserve amount equal to 10% of the original revenue bond issuance.

NOTE 9 – Debt Reserve Fund

In 2010, the District received a loan from the Kansas Public Water Supply Loan Fund (KPWSLF) up to \$ 563,021 (\$ 214,071 outstanding at December 31, 2014) bearing interest at 3.42%. Revenues of the District have been pledged as security. As part of the loan, the District is required to maintain a debt service coverage ratio of 1.25 and establish a loan reserve account in the amount of 10% of the unpaid principal. The District's debt service coverage ratio for 2014 as calculated by the financial worksheet is 5.48 and is shown as follows:

RURAL WATER DISTRICT NO.2, DOUGLAS COUNTY
Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 9 – Debt Reserve Fund (continued)

Revenue over (under) expenditures	(\$4,430)
Depreciation	94,642
Amortization	455
Interest expense	<u>7,431</u>
Net Revenue available for Debt Service	98,098
Debt service	<u>17,870</u>
Debt service coverage ratio	<u><u>5.48</u></u>

NOTE 10 – Subsequent Events Review

Subsequent events for management's review have been evaluated through March 18, 2015. The date in the prior sentence is the date the financial statements were available to be issued.

NOTE 11 – Long Term Debt

The following are schedules of the long term debt and current maturities of debt of the District.

NOTE 11-

DOUGLAS COUNTY RURAL WATER DISTRICT NO.2

Changes in Long-Term Debt

For the year ended December 31, 2014

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
State Reserve Fund										
Loan No. 2656	3.42%	6/1/10	\$ 563,021	8/1/30	\$ 223,669	\$	\$ 9,598	\$ (9,598)	\$ 214,071	\$ 7,431
Total Long Term Debt					\$ 223,669	\$ 0	\$ 9,598	\$ (9,598)	\$ 214,071	\$ 7,431
		2015	2016	2017	2018	2019	2020-2024	2025-2029	2030	Total
Principal										
General Obligation Bonds	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Special Assessment Bonds										
Certificates of Participation										
Capital Leases										
Revenue Bonds										
SRF Loan		9,907	10,248	10,602	10,968	11,346	62,876	74,495	23,629	214,071
Temporary Notes										
Total Principal		9,907	10,248	10,602	10,968	11,346	62,876	74,495	23,629	214,071
Interest										
General Obligation Bonds										
Special Assessment Bonds										
Certificates of Participation										
Capital Leases										
Revenue Bonds										
SRF Loan		7,238	6,896	6,543	6,177	5,799	22,847	11,230	792	67,522
Temporary Notes										
Total Interest		7,238	6,896	6,543	6,177	5,799	22,847	11,230	792	67,522
Total Principal and Interest	\$	17,145	\$ 17,144	\$ 17,145	\$ 17,145	\$ 17,145	\$ 85,723	\$ 85,725	\$ 24,421	\$ 281,593

Rural Water District No. 2, Douglas County

Regulatory-Required

Supplementary Information

For the year ended December 31, 2014

RURAL WATER DISTRICT NO. 2, DOUGLAS COUNTY
REGULATORY BASIS
WATER UTILITY FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the year ended December 31, 2014

	Actual	Budget	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Water sales	\$ 370,359	\$ 358,463	\$ 11,896
New construction	1,463	0	1,463
Lease, materials and supplies	11,000		
Service review	300		
Memberships	6,500	0	6,500
Miscellaneous income	1,399	2,000	(601)
Interest income	481	105	376
	<u>391,502</u>	<u>360,568</u>	<u>19,634</u>
TOTAL CASH RECEIPTS			
	391,502	360,568	19,634
EXPENDITURES			
Water purchased	118,989	119,425	436
Salaries and wages	66,949	55,889	(11,060)
Contract labor	6,345	9,785	3,440
Repairs and maintenance	23,640	28,982	5,342
Utilities and telephone	12,685	11,325	(1,360)
Insurance and bonds	8,576	15,944	7,368
Office supplies	7,382	6,149	(1,233)
Professional and other services	8,556	8,879	323
Payroll taxes	5,607	4,920	(687)
Dues and fees	544	516	(28)
Mileage and auto expense	9,313	8,812	(501)
Continuing education	2,642	2,451	(191)
Operating supplies	8,610	13,861	5,251
Rental expense	1,828	0	(1,828)
License and fees	0	2,788	2,788
Bank fees	701	0	(701)
Engineering	4,011	242	(3,769)
Water analysis	1,066	1,052	(14)
Returned checks	123	0	(123)
Miscellaneous	0	2,112	2,112
Interest expense	7,431	12,991	5,560
Plant and equipment purchases	97,230	79,270	(17,960)
Debt service	9,598	12,852	3,254
Adjustment for qualifying budget credits	0	0	0
	<u>401,826</u>	<u>\$ 398,245</u>	<u>\$ (3,581)</u>
TOTAL EXPENDITURES			
	401,826	398,245	(3,581)
Receipts Over (Under) Expenditures	(10,324)		
Unencumbered Cash, Beginning	489,788		
Prior Year Cancelled Encumbrances	0		
	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>479,464</u>		

DOUGLAS COUNTY RURAL WATER DISTRICT NO. 2
WATER UTILITY FUND

Schedule of Cash Receipts and Expenditures - Actual
For the year ended December 31, 2014

	<u>Actual</u>
CASH RECEIPTS	
Water sales	\$ 370,359
New construction	1,463
Lease, materials and supplies	11,000
Service review	300
Memberships	6,500
Miscellaneous income	1,399
Interest income	<u>481</u>
Total Cash Receipts	<u>391,502</u>
EXPENDITURES	
Production	294,998
Capital outlay	97,230
Debt Service	9,598
Adjustment for qualifying budget credits	<u>0</u>
Total Expenditures	<u>401,826</u>
Receipts Over (Under) Expenditures	(10,324)
Unencumbered Cash, Beginning	489,788
Prior Year Cancelled Encumbrances	<u>0</u>
Unencumbered Cash, Ending	<u><u>\$ 479,464</u></u>

DOUGLAS COUNTY RURAL WATER DISTRICT NO. 2**BALANCE SHEETS**

As of December 31, 2014 and 2013

	ASSETS	
	2014	2013
Current Assets		
Cash and cash equivalents	\$ 280,097	\$ 290,783
Certificates of deposit	199,367	199,005
Accounts receivable	34,317	33,632
Prepaid expenses	20,518	20,708
Total current assets	534,299	544,128
Property, plant, and equipment, net	2,321,197	2,318,609
Other Assets		
SRF loan fees net accumulated amortization	7,193	7,649
SRF loan reserve	74,919	74,919
Total other assets	82,112	82,568
Total Assets	\$ <u>2,937,608</u>	\$ <u>2,945,305</u>
LIABILITIES AND MEMBER'S EQUITY		
Current Liabilities		
Accounts payable	\$ 6,868	\$ 26,073
Accrued interest payable	3,051	3,184
Payroll and sales taxes payable	1,547	1,878
Current portion of long term debt	9,962	9,597
Total current liabilities	21,428	40,732
Long Term Liabilities		
	<u>204,109</u>	<u>214,072</u>
Total liabilities	225,537	254,804
Member's Equity	<u>2,712,071</u>	<u>2,690,501</u>
Total liabilities and member's equity	\$ <u>2,937,608</u>	\$ <u>2,945,305</u>

DOUGLAS COUNTY RURAL WATER DISTRICT NO. 2

STATEMENTS OF OPERATIONS

For the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Revenues		
Water sales	\$ 367,160	\$ 365,278
New construction	1,318	48,606
Lease, materials and supplies	11,000	3,000
Service review	300	300
Customer returns	-	-
	<u>379,778</u>	<u>417,184</u>
Expenses		
Water purchased	113,024	125,260
Salaries and wages	66,949	55,886
Contract labor	6,345	8,435
Repairs and maintenance	25,495	28,996
Utilities and telephone	12,600	11,224
Insurance and bonds	8,576	8,004
Office supplies	7,382	5,715
Professional and other services	8,561	9,047
Payroll taxes	5,607	4,921
Dues and fees	544	516
Mileage and auto expense	9,313	8,812
Continuing education	2,642	2,451
Operating supplies	8,633	14,000
Rental expense	1,828	1,350
License and fees	-	12
Bank fees	701	917
Engineering	4,011	242
Water analysis	1,226	1,265
Returned checks	123	760
Depreciation	94,642	84,037
Amortization	455	455
	<u>378,657</u>	<u>372,305</u>
Net income from operations	<u>1,121</u>	<u>44,879</u>
Other Income (Expense)		
Miscellaneous income	1,399	1,475
Interest income	481	584
Interest expense	(7,431)	(8,028)
Penalties	-	-
	<u>(5,551)</u>	<u>(5,969)</u>
Other Income/Expense, Net	<u>(5,551)</u>	<u>(5,969)</u>
Net Income	<u>\$ (4,430)</u>	<u>\$ 38,910</u>

DOUGLAS COUNTY RURAL WATER DISTRICT NO. 2**STATEMENTS OF CHANGES IN MEMBER'S EQUITY**

For the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Member's Equity - Beginning of year	\$ 2,690,501	\$ 2,632,091
Memberships	26,000	19,500
Net Income	<u>(4,430)</u>	<u>38,910</u>
Member's Equity - End of year	\$ <u><u>2,712,071</u></u>	\$ <u><u>2,690,501</u></u>

DOUGLAS COUNTY RURAL WATER DISTRICT NO. 2

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities		
Net Income	\$ (4,430)	\$ 38,910
Adjustments to Reconcile Net Income to Net Cash		
Provided by (Used in) Operating Activities		
Depreciation and amortization	95,097	84,492
(Increase) decrease in accounts receivable	(685)	(1,626)
(Increase) decrease in prepaid expenses	190	(301)
Increase (decrease) in accounts payable	(19,205)	13,253
Increase (decrease) in accrued interest	(133)	(1,589)
Increase (decrease) in taxes payable	<u>(331)</u>	<u>(5)</u>
Net Cash Provided By Operating Activities	<u>70,503</u>	<u>133,134</u>
Cash Flows from Investing Activities		
Proceeds from sale of benefit units	26,000	19,500
Proceeds from certificates of deposit	(361)	(448)
Purchase of assets	<u>(97,230)</u>	<u>(58,630)</u>
Net Cash Provided By Investing Activities	<u>(71,591)</u>	<u>(39,578)</u>
Cash Flows from Financing Activities		
Principal payemnts on long term debt	<u>(9,598)</u>	<u>(111,272)</u>
Net Cash Provided By Financing Activities	<u>(9,598)</u>	<u>(111,272)</u>
	(10,686)	(17,716)
Cash - Beginning of Period	<u>290,783</u>	<u>308,499</u>
Cash - End of Period	\$ <u><u>280,097</u></u>	\$ <u><u>290,783</u></u>

DOUGLAS COUNTY RURAL WATER DISTRICT NO. 2

SUMMARY OF INSURANCE COVERAGE AND FIDELITY BONDS

As of December 31, 2014 and 2013

Property Covered	Coverage	Expires
Commercial property:	80% Coinsurance	10/6/2015
Radio and antenna	16,322	
Property in the open	16,208	
Building #2 (42'x50' metal shed)	54,009	
Property in the open	4,052	
Property in the open	260,260	
Elevated water tower	732,922	
Extra expense	90,000	
Personal property in office	14,000	
Commercial General Liability:		10/6/2015
Aggregate Limit -		
products/completed operations	1,000,000	
other than products/completed ops	1,000,000	
Personal and advertising injury	1,000,000	
Fire damage (per fire)	100,000	
Medical expense (per person)	5,000	
Inland marine		10/6/2015
Miscellaneous inventory	35,000	
Commercial Auto:		10/6/2015
Liability insurance (per loss)	1,000,000	
Workmen's compensation:		10/6/2015
Bodily injury by accident	500,000	
Bodily injury by disease (per employee)	500,000	
Bodily injury by disease (policy limit)	500,000	
Public Employee Dishonesty:		10/6/2015
Per loss	250,000	
Directors' and Officers' Liability:	1,000,000	10/6/2015

DOUGLAS COUNTY RURAL WATER DISTRICT NO. 2

SCHEDULE OF FIXED ASSETS ADDITIONS AND RETIREMENTS

For the year ended December 31, 2014

	<u>2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>2014</u>
Rural Water system	\$ 2,601,608	\$ 97,230	\$ -	\$ 2,698,838
Elevated water tower	730,128	-	-	730,128
Land	<u>25,135</u>	<u>-</u>	<u>-</u>	<u>25,135</u>
	3,356,871	97,230	-	3,454,101
Less Accumulated depreciation	<u>1,038,262</u>	<u>94,642</u>	<u>-</u>	<u>1,132,904</u>
Proj Water system	\$ <u><u>2,318,609</u></u>	\$ <u><u>2,588</u></u>	\$ <u><u>-</u></u>	\$ <u><u>2,321,197</u></u>

DOUGLAS COUNTY RURAL WATER DISTRICT NO. 2**BOARD MEMBERS AND OFFICERS**

As of December 31, 2014

		Term Expires
Chairman:	Arthur Miles 1278 N. 900 Rroad Lawrence, KS 66046	2016
Vice-Chairman:	John Stevens 795 E 1500 Road Lawrence, KS 66046	2015
Secretary:	Rick Hird 856 E. 1150 Road Baldwin, KS 66006	2017
Treasurer:	Mike Flory 1921 Quail Run Lawrence, KS 66047	2016
Board Member:	Chip Hornberger 440 E 900 Rd Baldwin City, KS 66006	2015